

TRENDS IN U.S. CITIES TO CONSIDER FOR STRATEGIC PLANNING

□ **Big Picture**

- **Finding:** For the first time in modern American history, population and income growth no longer tend to go together.
- **Implication:** The new divergence between income and population presents a threshold question which has significant implications for urban development strategy: what constitutes success? Cities do not need to grow big to grow wealthy, and growing big won't necessarily lead to wealth. Leaders may choose to focus less on size, and instead aim for prosperity over population growth.
- **Finding:** Cities no longer share a common fate: the rich get richer.
- **Implication:** The point, for present purposes, is that if success tends to breed success, then being on the right path – and selecting the right development strategy for that path – is more important than ever.
- **Finding:** City economies show enormous variation: many types of economies mean many potential paths to success.
- **Implication:** As urban economies are highly differentiated, and the factors which matter change and vary by city, development choices must be more tailored and strategic. One size does not fit all: there is no single path or formula for success. And since success breeds more success, the choices are critical.

□ **What drives economic growth?**

- **Finding:** Educational levels were the single biggest driver of economic growth, but high school degrees are not enough.
- **Implications:** Focus on education – particularly on increasing college attendance and completion rates. Targeting the population who enters college but does not complete could have substantial impact.
- **Additional Knowledge Economy Findings:** By virtually all measures, information and knowledge (and their enabling technologies) have continued to become more important to the economies of cities between 1990 and 2000.
- **Implications:** This shift towards information and knowledge (embedded in people and technologies) helps account for many of the other observations, and has fundamental implications for the economic role of cities, as discussed in the next section (“What Next?”). For present purposes, the increasing relevance of these factors makes it important to focus on human capital (education, again, including workforce); innovation and commercialization of knowledge (R&D, universities, knowledge and business networks); and information technologies.

□ **Business Composition**

- **Findings:** Both business diversification and selective specializations can be good for growth, and specialization may be shifting towards functions.
- **Implications:** The importance of specialization may be far more subtle than its current popular appeal: cities do not need to specialize to grow. Specialization and diversification each offer advantages and disadvantages, and both may be needed in the national economy, with different types of cities playing quite different roles over time. If the economic development strategy is to specialize, do it right. It's not whether a city is specialized, but what it is specialized in that matters. Finally, when considering what to specialize in, look beyond sectors -- functional specializations may become increasingly important.

□ **Demographics**

- **Findings:** The proportion of particular racial or ethnic groups matters less to economic performance, while their segregation generally has negative effects. Income inequality also negatively affects performance, 35-44 year olds have highly positive effects. Immigration drives population growth, and its income effects appear to vary by type of economy.
- **Implications:** Addressing income inequality and segregation is good for business.

□ **Urban Growth**

- **Findings:** "Sprawl" appears to have negative economic effects only when it reaches a high level. More broadly, the economic significance of urban growth patterns varies in complex ways specific to different types of growth and different types of cities and economies.
- **Implications:** Subtler aspects concerning the form and structure of growth are likely more important than absolute geographic growth. For example, the spatial organization of particular components of the economy such as jobs and labor force deserves attention: is affordable housing available in key employment centers, allowing workers to access available jobs? A key point, reflecting the divergence of population and income growth is that cities do not have to sprawl to have a growing economy.

□ **Regionalism**

- **Findings:** Cities and suburbs are interdependent parts of one regional economy, but the nature of their economic linkages may be changing.
- **Implications:** The important questions may not be whether city and suburb are interdependent (they are), or which is more important, but rather what are the key linkages between the components of regional economies located in cities and suburbs. The most important focus for regional economic development may be to understand and build on the linkages particular to each local economy. Identifying these linkages would allow local governments to develop more deliberate and focused partnerships to promote regional economic development.

CONCLUSION

- Cities are more important than ever to the economic performance of nations as enhanced productivity increasingly flows from physical concentrations of personal, knowledge and business networks. New opportunities and paths for success are emerging, and cities have more choices as differentiation between cities leads to more varied economic roles. While there are many ways to achieve prosperity, making the right choices is both more important and more complex. The key is to be strategic – for each place to build on its unique economic mix.

- Information from CEOs for Cities – The Changing Dynamics of Urban America.